

## Report in Brief

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U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES  
**OFFICE OF INSPECTOR GENERAL**



### Why OIG Did This Review

Previous OIG reviews of 10 State Medicaid agencies (State agencies) that used random moment timestudies (RMTS) to allocate costs for school district administrative claiming (SDAC) and school-based health services (SBHS) showed that RMTS was not an effective way of allocating costs to the Medicaid program. This report summarizes the findings of those reviews.

Our objective was to identify opportunities for the Centers for Medicare & Medicaid Services (CMS) to improve its oversight of costs associated with school-based administrative activities and health services by summarizing the results of our previous reviews of State agencies' use of RMTS as a basis to allocate and claim Federal Medicaid reimbursement for these costs.

### How OIG Did This Review

We previously reviewed 10 State agencies (in Alabama, Arizona, Colorado, Kansas, Massachusetts, Mississippi, Missouri, New Jersey, North Carolina, and Texas) to determine whether the RMTS used in those States to allocate SDAC and SBHS costs complied with Federal requirements and was an effective way of allocating costs. Our previous reviews encompassed a total of more than \$1.2 billion in SDAC and SBHS costs during timeframes that ranged from July 2003 through June 2015.

## Vulnerabilities Exist in State Agencies' Use of Random Moment Sampling To Allocate Costs for Medicaid School-Based Administrative and Health Services Expenditures

### What OIG Found

Inadequate oversight at CMS and the State agency level created vulnerabilities in State agencies' use of RMTS as a basis to allocate and claim Federal Medicaid reimbursement for costs associated with SDAC and SBHS. Previous reviews determined that the 10 State agencies claimed a total of \$435.4 million in SDAC and SBHS costs that were not in accordance with Federal requirements and guidance. We found that of the 10 State agencies, 5 claimed unallowable SDAC and SBHS costs, 3 claimed SDAC costs without having properly submitted cost allocation plans that described their RMTS methodologies, and all 10 did not correctly develop the RMTS methodologies used to allocate costs. We also found that some of the annual cost settlements performed by three State agencies did not take all interim payments into account. In addition, three State agencies could not provide medical record documentation to support the responses provided by RMTS participants; therefore, we could not determine whether services for which the State agencies had claimed SBHS costs had actually been performed. Finally, we could not determine which portions of an additional \$325.1 million of SDAC and SBHS costs were allowable in two States whose RMTS methodologies used sample universes that were or may have been inaccurate.

### What OIG Recommends and CMS Comments

We make procedural recommendations to CMS (detailed in the report) for instructions to all State agencies regarding their SDAC and SBHS programs and their RMTS methodologies. We also recommend that CMS distribute formal guidance for the use of RMTS to allocate SBHS costs or consider no longer permitting States to use RMTS methodologies to allocate and claim SBHS costs.

In written comments on our draft report, CMS concurred with both of our recommendations and described corrective actions that it said it would take, to include issuing updated guidance to State agencies regarding (1) policies and procedures to monitor SDAC and SBHS programs and (2) the requirement to maintain and retain adequate medical record documentation to validate RMTS responses and support SBHS costs claimed.